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Louisiana Association for the Blind

Financial Statements

Years Ended September 30, 2013 and 2012

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JM
CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report

The Board of Directors
Louisiana Association for the Blind
Shreveport, Louisiana

I have audited the accompanying financial statements of Louisiana Association for the Blind, which comprise the statements of financial position for the years ended September 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and summary of significant accounting policies and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Association for the Blind as of September 30, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of general and administrative expenses, sales and cost of sales, sales and cost of sales - base service centers, and state contracts are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of general and administrative expenses, sales and cost of sales, sales and cost of sales - base service centers, and state contracts are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedules of general and administrative expenses, sales and cost of sales, sales and cost of sales - base service centers, and state contracts are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 14, 2014, on my consideration of Louisiana Association for the Blind's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of my audit.

James M. Mitchell, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
January 14, 2014

	September 30, 2013			September 30, 2012		
	Unrestricted Fund	Temporarily Restricted Funds	Total All Funds	Unrestricted Fund	Temporarily Restricted Funds	Total All Funds
Assets						
Current assets:						
Cash and cash equivalents (Note 5)	$ 3,691,263	$ 18,596	$ 3,709,859	$ 4,562,667	$ 31,419	$ 4,594,086
Short-term investments (Notes 3 and 4)	2,006,816	-	2,006,816	2,061,225	-	2,061,225
Accounts receivable-trade (Note 7)	2,914,816	-	2,914,816	2,166,081	-	2,166,081
Inventories (Note 1)	2,885,880	-	2,885,880	3,330,541	-	3,330,541
Prepaid expenses and other	108,324	-	108,324	90,650	-	90,650
Total current assets	11,607,099	18,596	11,625,695	12,211,164	31,419	12,242,583
Long-term investments (Notes 3 and 4)	4,469,621	-	4,469,621	4,289,477	-	4,289,477
Property and equipment, net (Note 2)	10,286,442	-	10,286,442	9,202,873	-	9,202,873
	$ 26,363,162	$ 18,596	$ 26,381,758	$ 25,703,514	$ 31,419	$ 25,734,933

Liabilities and Net Assets

	September 30, 2013			September 30, 2012		
	Unrestricted Fund	Temporarily Restricted Funds	Total All Funds	Unrestricted Fund	Temporarily Restricted Funds	Total All Funds
Current liabilities:						
Accounts payable	$ 2,224,722	$ -	$ 2,224,722	$ 2,361,838	$ -	$ 2,361,838
Notes payable (Note 5)	-	-	-	325,000	-	325,000
Accrued payroll and related expenses	506,937	-	506,937	213,639	-	213,639
Deferred revenue	324,058		324,058	246,740	-	246,740
Total liabilities - all current	3,055,717	-	3,055,717	3,147,217	-	3,147,217
Commitments and contingencies (Note 6)						
Net assets:						
Unrestricted	23,307,445	-	23,307,445	22,556,297	-	22,556,297
Temporarily restricted (Note 8)	-	18,596	18,596	-	31,419	31,419
Total net assets	23,307,445	18,596	23,326,041	22,556,297	31,419	22,587,716
	$ 26,363,162	$ 18,596	$ 26,381,758	$ 25,703,514	$ 31,419	$ 25,734,933

See accompanying summary of accounting policies and notes to financial statements.

Statements of Activities

Years Ended	September 30, 2013			September 30, 2012		
	Unrestricted Fund	Temporarily Restricted Funds	Total All Funds	Unrestricted Fund	Temporarily Restricted Funds	Total All Funds
Sales (Note 7)	$26,339,965	$ -	$26,339,965	$30,704,304	$ -	$30,704,304
Cost of sales	(21,413,220)	-	(21,413,220)	(25,647,682)	-	(25,647,682)
Gross profit	4,926,745	-	4,926,745	5,056,622	-	5,056,622
Expenses:						
Selling	636,162	-	636,162	736,041	-	736,041
General and administrative	3,680,020	-	3,680,020	3,209,885	-	3,209,885
Total expenses	4,316,182	-	4,316,182	3,945,926	-	3,945,926
Increase in net assets from operations	610,563	-	610,563	1,110,696	-	1,110,696
Other Income:						
Investment income, net	167,764	-	167,764	458,260	-	458,260
Interest expense	-	-	-	(246)	-	(246)
Other	(53,988)	-	(53,988)	3,693	-	3,693
Support, net of expense of $149,371 and $21,072	(1,014)	15,000	13,986	(3,924)	27,823	23,899
Net assets released from restrictions	27,823	(27,823)	-	-	-	-
Total other income	140,585	(12,823)	127,762	457,783	27,823	485,606
Increase (decrease) in net assets	751,148	(12,823)	738,325	1,568,479	27,823	1,596,302
Net assets, beginning of year	22,556,297	31,419	22,587,716	20,987,818	3,596	20,991,414
Net assets, end of year	$23,307,445	$18,596	$23,326,041	$22,556,297	$31,419	$22,587,716

See accompanying summary of accounting policies and notes to financial statements.

Statements of Cash Flows

Years Ended	September 30, 2013			September 30, 2012		
	Unrestricted Fund	Temporarily Restricted Funds	Total All Funds	Unrestricted Fund	Temporarily Restricted Funds	Total All Funds
Cash Flows from Operating Activities:						
Increase (decrease) in net assets	$ 751,148	$ (12,823)	$ 738,325	$ 1,568,479	$ 27,823	$ 1,596,302
Adjustments to reconcile increase in net assets to net cash provided by operating activities:						
Depreciation and amortization	539,642	-	539,642	455,317	-	455,317
Realized loss (gain) on sale of investments	(261,665)	-	(261,665)	25,110	-	25,110
Unrealized loss (gain) on investments	261,692	-	261,692	(322,496)	-	(322,496)
Loss on sale of asset	54,267	-	54,267	-	-	-
Change in operating assets and liabilities:						
Accounts receivable - trade	(748,735)	-	(748,735)	620,377	-	620,377
Inventories	444,661	-	444,661	59,011	-	59,011
Prepaid expenses and other	(17,674)	-	(17,674)	(14,764)	-	(14,764)
Accounts payable	(137,116)	-	(137,116)	(1,356,349)	-	(1,356,349)
Accrued payroll and related expenses	293,298	-	293,298	(675)	-	(675)
Deferred revenue	77,318	-	77,318	(143,608)	-	(143,608)
Net cash provided (used) by operating activities	1,256,836	(12,823)	1,244,013	890,402	27,823	918,225
Cash Flows from Investing Activities:						
Additions to plant and equipment	(1,691,578)	-	(1,691,578)	(2,804,911)	-	(2,804,911)
Proceeds from sale of asset	14,100	-	14,100	-	-	-
Purchases of marketable securities	(6,363,144)	-	(6,363,144)	(1,746,589)	-	(1,746,589)
Proceeds from sale of securities	6,237,382	-	6,237,382	3,696,905	-	3,696,905
Net cash used in investing activities	(1,803,240)	-	(1,803,240)	(854,595)	-	(854,595)
Cash Flows from Financing Activities:						
Payments of long-term debt	(325,000)	-	(325,000)	-	-	-
Proceeds from issuance of debt	-	-	-	325,000	-	325,000
Net cash provided (used) by financing activities	(325,000)	-	(325,000)	325,000	-	325,000
Net increase (decrease) in cash and cash equivalents	(871,404)	(12,823)	388,630	360,807	27,823	388,630
Cash and cash equivalents at beginning of year	4,562,667	31,419	4,594,086	4,201,860	3,596	4,205,456
Cash and cash equivalents at end of year	$ 3,691,263	$ 18,596	$ 3,709,859	4,562,667	$ 31,419	$ 4,594,086

See accompanying summary of accounting policies and notes to financial statements.

Summary of Accounting Policies

This summary of accounting policies of Louisiana Association for the Blind (the "Association") is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, which is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Nature of Business

Louisiana Association for the Blind (the "Association") is a nonprofit organization formed to evaluate, train, and provide employment opportunities for the blind in northwest Louisiana. Employment opportunities are provided primarily through the Association's manufacture of paper, abrasive, and deck covering products, and retail sales for Barksdale Air Force Base and Fort Polk. These financial statements include the accounts of the Association and those of the Shreveport Association for the Blind Charitable Trust, which is a trust fully controlled and administered by the management and board of directors of the Association.

Basis of Accounting

The Association uses the accrual basis of accounting for both unrestricted and restricted funds. Unrestricted fund assets, liabilities, revenue and expenses are those items acquired or incurred through the Association's normal fund raising efforts and production activities. Restricted fund assets, liabilities, revenues and expenses include those items acquired or received through the Association's fund raising efforts as well as those items received or incurred pursuant to grants from various agencies, the use of which is governed by restrictions placed thereon by the donors. Restricted funds may be used only for the purposes for which the donor or grantor contributed such funds.

Property, Equipment and Depreciation

It is the Association's policy to capitalize property and equipment over $2,000. Lesser amounts are expensed. Purchased property and equipment are recorded at cost. Donated items are recorded at the fair market value of the items on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the various classes of assets ranging from three to forty years. Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred.

Revenue Recognition

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted donations on which the restriction expires in the same year received are reported in the unrestricted fund.

Income Taxes

As a nonprofit, privately supported organization, the Association is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. The Association is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax exempt entity. The Association also must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Association does not expect any of its tax positions to change significantly over the next twelve months. Any penalties related to late filings or other requirements would be recognized as penalties expense in the Association's accounting records.

The Association is required to file U.S. federal Form 990 for informational purposes. Its federal income tax filings for the tax years 2010 and beyond remain subject to examination by the Internal Revenue Service.

Cash

For purposes of the statements of cash flows, cash includes cash in bank accounts and interest-bearing deposits with original maturities of 90 days or less which are not held for investment purposes. Investments are excluded from cash regardless of maturity, as management does not intend to use such funds within 90 days. At September 30, 2013, $2,786,430 in recorded cash and cash equivalents were not insured with the FDIC.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include the value of investments, the collectability of recorded accounts receivable, inventory valuation and the life of fixed assets.

Inventories

Inventories, consisting primarily of paper and paper related office products, abrasives, safety walk, and base service store material, are valued at the lower of cost or market. Cost is determined on an average cost basis.

Financial Statement Presentation

The Association has adopted FASB ASC 958-205, "Presentation of Financial Statements for Not-for-Profit Entities." Under FASB ASC 958-205, the Association is required to report information regarding the financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Association does not use fund accounting.

Contributions

The Association has also adopted FASB ASC 958-605, "Revenue Recognition - Contributions Received." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

Investments

The Association has adopted FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Fair values are computed based on quoted market values as provided by the Association's financial advisors.

Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounts Receivable

Accounts receivable are presented in the accompanying financial statement net of any allowance for doubtful accounts. Management periodically reviews past due accounts to determine if circumstances indicate that all, or a portion, of a customer's account will not be collectible. Based on this assessment, management reserves that portion of the receivable deemed to be uncollectible. At September 30, 2013 and 2012, the allowance for bad debts was $-0-.

Advertising

The Association expenses advertising as it is incurred. The Association expended $10,793 and $12,010 in the years ended September 30, 2013 and 2012, respectively for advertising.

Reclassification of Prior Year Amounts

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

1. Inventories

Inventories are summarized as follows:

	2013	2012
Raw materials	$990,335	$1,238,967
Finished goods	911,082	1,068,171
Work in process	15,221	14,828
Manufacturing inventory	1,916,638	2,321,966
Base Service Store inventories	969,242	1,008,575
Total	$2,885,880	$3,330,541

2. Property and Equipment

Major classes of property and equipment consist of the following:

	2013	2012
Buildings	$7,583,373	$6,397,418
Leasehold improvements - Fort Polk	2,067,033	2,067,033
Padding equipment	1,530,708	1,485,208
Machinery	1,513,117	1,395,524
Xerox paper equipment	1,320,993	1,240,993
Land	592,298	592,298
Abrasive - deck equipment	431,170	431,170
Automobiles and trucks	454,161	415,409
Furniture and fixtures	436,825	255,948
Machinery - Base Service Store	156,588	156,588
Automobiles and trucks - Fort Polk	48,044	48,044
Machinery - Fort Polk	46,734	46,734
Automobiles and trucks - Base Service Store	29,338	29,338
Leasehold improvements - Base Service Store	9,500	133,575
	16,219,882	14,695,280
Less accumulated depreciation and amortization	(5,933,440)	(5,492,407)
Net property and equipment	$10,286,442	$9,202,873

3. Investments

Investments are stated at fair value and consist of the following:

	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Market Value
September 30, 2013				
Morgan Stanley Smith Barney Short Term Reserve Account:				
Cash and money market	$ 441,534	$ -	$ -	$ 441,534
Corporate fixed income	431,808	3,558	-	435,366
U.S. Government securities	1,121,974	7,942	-	1,129,916
Total short-term investments	$1,995,316	$11,500	$ -	$2,006,816
Morgan Stanley Smith Barney Intermediate Term Reserve Account:				
Money market	$ 55,425	$ -	$ -	$ 55,425
Government & GSE	1,142,372	17,024	-	1,159,396
Corporate fixed income	805,301	13,017	-	818,318
Common stock & options	819,488	15,682	-	835,170
Mutual funds	136,078	6,093	-	142,171
Exchange-traded funds	115,198	-	(898)	114,300
	3,073,862	51,816	(898)	3,124,780
Charitable Trust Fund:				
Cash and money market	88,139	-	-	88,139
Common stock & options	871,009	26,784	-	897,793
Corporate fixed income	52,192	2,595	-	54,787
Exchange-traded funds	91,648	-	(2,494)	89,154
Mutual funds	200,607	14,361	-	214,968
	1,303,595	43,740	(2,494)	1,344,841
Total long-term investments	$4,377,457	$95,556	$(3,392)	$4,469,621
September 30, 2012				
Morgan Stanley Smith Barney Short Term Reserve Account:				
Cash and money market	$ 8,344	$ -	$ -	$ 8,344
Mutual Funds	1,841,352	58,478	-	1,899,830
U.S. Government securities	147,836	5,215	-	153,051
Total short-term investments	$1,997,532	$63,693	$ -	$2,061,225

3. Investments - (Continued)

	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Market Value
September 30, 2012				
Morgan Stanley Smith Barney Intermediate Term Reserve Account:				
Money market	$ 14,576	$ -	$ -	$ 14,576
Government & GSE	270,231	10,133	-	280,364
Corporate bonds	25,673	2,262	-	27,935
Common stock & options	315,524	64,107	-	379,631
Mutual funds	2,178,145	161,617	-	2,339,762
	2,804,149	238,119	-	3,042,268
Charitable Trust Fund:				
Cash and money market	69,104	-	-	69,104
Common stock & Options	405,519	577	-	406,096
Corporate fixed income	25,673	2,263	-	27,936
Mutual fund equities	718,854	25,219	-	744,073
	1,219,150	28,059	-	1,247,209
Total long-term investments	$4,023,299	$266,178	$ -	$4,289,477

All investments in U.S. Government securities have contractual maturities of five years or less.

The Board of Directors of the Association has full responsibility for governance of the Charitable Trust Fund (Trust). Income earned by the Trust is available for use in connection with any activity, which directly benefits the blind, primarily educational, charitable or literary purposes. Principal of the Trust is available for use only to the extent the original donor has so provided. At September 30, 2013, no assets of the Charitable Trust Fund were restricted.

The following schedule summarizes the investment return and its classification in the statements of activities:

	Unrestricted	Temporarily Restricted	Total
September 30, 2013			
Interest income	$ 47,106	$ -	$ 47,106
Dividends	130,925	-	130,925
Net realized and unrealized gains (losses)	41,142	-	41,142
Investment expenses	(51,409)	-	(51,409)
Total return on investments	$167,764	$ -	$167,764

3. Investments - (Continued)

	Unrestricted	Temporarily Restricted	Total
September 29, 2012			
Interest income	$ 81,429	$ -	$ 81,429
Dividends	125,213	-	125,213
Net realized and unrealized gains (losses)	297,386	-	297,386
Investment expenses	(45,768)	-	(45,768)
Total return on investments	$458,260	$ -	$458,260

4. Fair Value of Financial Instruments

The Association has adopted FASB ASC Topic 820, "Fair Value Measurements" (Topic 820). Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume);

- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market; and

- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Association-specific data. These unobservable assumptions reflect the Association's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

4. Fair Value of Financial Instruments - (Continued)

Fair values of assets and liabilities measured on a recurring basis at September 30, 2013 and 2012 are as follows:

	Assets at Fair Value as of September 30, 2013			
	Level 1	Level 2	Level 3	Fair Value
Money Markets	$ -	$ 585,097	$ -	$ 585,097
Mutual Funds:				
Domestic Growth	357,139	-	-	357,139
Exchange-traded Funds	203,454			203,454
Total Mutual Funds	560,593	-	-	560,593
Government Obligations and Corporate Bonds	-	3,597,784	-	3,597,784
Common Stocks - Domestic	1,732,963	-	-	1,732,963
Total	$2,293,556	$4,182,881	$ -	$6,476,437

	Assets at Fair Value as of September 30, 2012			
	Level 1	Level 2	Level 3	Fair Value
Money Markets	$ -	$ 92,024	$ -	$ 92,024
Mutual Funds:				
Blended Growth	595,180	-	-	595,180
Value	366,818	-	-	366,818
Commodity	44,953	-	-	44,953
Domestic Fixed	3,762,568	-	-	3,762,568
Domestic Growth	50,984	-	-	50,984
Foreign Fixed	163,162	-	-	163,162
Total Mutual Funds	4,983,665	-	-	4,983,665
Government Obligations and Corporate Bonds	-	489,286	-	489,286
Common Stocks - Domestic	785,727	-	-	785,727
Total	$5,769,392	$581,310	$ -	$6,350,702

5. Notes Payable

The Association has a prime plus one percent $250,000 line of credit with JP Morgan Chase Bank, N.A. (the "Bank"). Collateral for the line is any equipment purchased using funds from the line of credit. The line of credit has no fixed maturity date. At September 30, 2013, there were no amounts outstanding under this loan.

Additionally, the Association has a One Month LIBOR plus 2.258 (2.48175 percent at September 30, 2012) percent $2,300,000 line of credit with the Bank maturing September 14, 2013. At September 30, 2012, $325,000 was outstanding under this line of credit. The Borrowing Agreement and Note governing the line-of-credit (the "Agreements") contain certain financial and reporting covenants, including maintenance of the Association's primary operating banking relationship with JP Morgan Chase Bank. Association deposits held by the Bank also serve as collateral for this line-of-credit.

6. Commitments, Contingencies and Leases

The Association leases equipment for some of its activities under operating leases. Minimum rentals under the leases with initial or remaining terms in excess of one year were as follows at September 30, 2013:

Year	Operating Lease Payments
2014	$111,043
2015	111,043
2016	31,479
Total minimum rentals	$253,565

Amounts charged to operations under operating leases totaled $120,700 and $121,371, in 2013 and 2012, respectively.

In the normal course of business, the Association may be subject to various claims and litigation. The Association anticipates no material losses as a result of any such actions.

7. Major Customer

The majority of the Association's sales are to agencies of the United States Government or to third-party commercial enterprises, which then resale the products to agencies of the United States Government. Sales to agencies of the United States Government and such commercial enterprises accounted for approximately 95% and 89% of total sales in 2013 and 2012. Related accounts receivable accounted for approximately 76% and 89% of total accounts receivable at September 30, 2013 and 2012, respectively.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows:

	2013	2012
Development	$15,000	$11,310
Curriculum Development	-	10,545
Art Program	-	5,968
Scholarships	3,596	3,596
	$18,596	$31,419

9. Retirement Plan

The Association has a qualified, contributory 401(k) plan for all eligible employees. Effective January 1, 2011, the Association amended the plan to allow eligible emplyees to contribute up to the legal limit from their compensation and the Association would match employee contributions 100% up to 5% of eligible compensation. Also, the Association can contribute a discretionary amount as determined annually by the Board of Directors based on year-end profits. No such contributions were made in either year.

The total of the discretionary contributions, matching contributions and employee contributions may not exceed the maximum as allowed by law for each employee. Matching contributions charged against operations amounted to $128,681 and $122,292 in 2013 and 2012, respectively.

10. Supplemental Cash Flows Information

Cash paid for interest totaled $0 and $246 for the years ended September 30, 2013 and 2012, respectively.

11. Major Vendors

One vendor accounted for 24% and 10% of purchases in 2013. Two vendors accounted for 35% and 10% of purchases in 2012.

12. State of Louisiana Contract

In 2013 and 2012, the Association received funding totaling $500,000 and $400,000, respectively from the State of Louisiana. The funds were expended in exchange for providing certain services and procuring certain equipment based on an annual budget request submitted to the State of Louisiana. Such budget items included acquisitions for major repairs of property and equipment, advertising costs, staff salaries and professional services.

12. State of Louisiana Grant - (Continued)

In 2012, the Association received $18,980 in capital outlay funds from the State of Louisiana in connection with the building of a safety walk and abrasives plant.

13. Subsequent Events

In accordance with FASB Accounting Standards Codification topic 740 "Subsequent Events," the Association evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Association evaluated such events through January 14, 2014, the date the financial statements were available to be issued, and noted no subsequent events that required provision for or disclosure in the financial statements.

14. Related Party Transactions

In 2013 and 2012, the Association purchased its group insurance through an agent whose spouse was also a member of the Board of Directors. Total group insurance premiums amounted to approximately $879,000 and $835,000 in 2013 and 2012, respectively. In 2013 and 2012, the agent for the Association's qualified 401(k) plan was also the spouse of a member of the Board of Directors. Total contributions to the plan, including employee contributions, amounted to approximately $300,000 and $287,000 in 2013 and 2012.

Supplemental Material

Schedules of General and Administrative Expenses

Years Ended September 30,	2013	2012
Salaries - Administrative	**$1,414,398**	$1,286,856
Salaries - Maintenance and Other	**420,084**	404,022
Group Insurance	**391,314**	345,786
Depreciation	**258,132**	181,949
Repairs and Maintenance	**226,604**	186,139
General Insurance	**201,519**	223,340
Payroll Taxes	**145,077**	127,504
Telephone	**83,931**	78,390
Rental Expense	**76,290**	10,259
Employee Benefits	**70,566**	55,919
Retirement	**62,991**	55,956
Audit and Accounting Expense	**53,698**	32,600
Tools and Small Equipment	**46,241**	21,740
Utilities	**33,868**	16,730
Travel	**30,466**	40,760
Office Supplies	**25,331**	19,925
Supplies	**21,150**	17,139
Legal Fees	**14,454**	3,122
Contract Labor	**13,287**	11,213
Bad Debts	**11,999**	-
Postage	**11,885**	7,245
Dues and Subscriptions	**11,187**	31,303
Advertising Expense	**10,793**	12,010
Truck and Auto	**8,692**	11,257
Special Events	**8,388**	10,527
Property Taxes	**6,656**	702
Miscellaneous Expense	**6,289**	(143)
Employee Testing	**4,043**	2,786
Gifts	**3,972**	3,916
Security	**3,037**	3,495
Entertainment	**2,486**	1,556
Board and Other Meeting Expense	**991**	624
Freight	**101**	326
Contributions	**100**	-
Consulting Expense	**-**	3,879
Uniforms	**-**	1,053
	$3,680,020	$3,209,885

Years Ended	September 30, 2013					
	Paper	Abrasives / Deck Coverings	Low-Vision	Xerox & Other	Printing Services	Total
Sales:						
General Services Administration	$ 329,185	$ 786,117	$ -	$ 7,715,910	$ -	$ 8,831,212
MAS and JWOD	1,196,973	332,062	-	5,010,545	-	6,539,580
Commercial / NON-NIB	191,993	3,592,685	-	128,543	190,670	4,103,891
Waste	-	-	-	129,523	-	129,523
Base Service Stores	2,687	-	-	175,594	-	178,281
State Contract	-	-	361,437	-	138,563	500,000
Other	-	463	297,162	2,061	-	299,686
Returns and allowances	130	20	-	-	-	150
	1,720,968	4,711,347	658,599	13,162,176	329,233	20,582,323
Cost of Sales:						
Beginning inventory	591,792	759,530	21,403	934,870	14,371	2,321,966
Add: Purchase / transfer from other departments	634,080	1,828,052	47,555	9,373,898	22,390	11,905,975
Less: Ending inventory	(438,580)	(581,030)	(20,142)	(871,169)	(5,717)	(1,916,638)
Raw materials consumed	787,292	2,006,552	48,816	9,437,599	16,673	12,296,932
Manufacturing costs	1,269,257	546,186	574,488	1,583,967	166,181	4,140,079
Cost of sales	2,056,549	2,552,738	623,304	11,021,566	182,854	16,437,011
Gross profit (loss)	$ (335,581)	$ 2,158,609	$ 35,295	$ 2,140,610	$ 146,379	$ 4,145,312
Gross profit as a percent of sales	NM	45.8%	5.4%	16.3%	44.5%	20.1%

NM - Not Meaningful

	September 30, 2012					
	Paper	Abrasives / Deck Coverings	Low-Vision	Xerox & Other	Printing Services	Total
	$ 660,924	$ 791,214	$ -	$11,198,345	$ -	$12,650,483
	1,320,507	392,986	-	5,082,072	-	6,795,565
	65,158	2,888,149	-	249,696	88,756	3,291,759
	-	-	-	214,001	-	214,001
	8,805	263	-	210,793	-	219,861
	-	-	178,503	226,922	94,575	500,000
	-	2,526	269,747	12,376	-	284,649
	21	-	-	-	-	21
	2,055,415	4,075,138	448,250	17,194,205	183,331	23,956,339
	655,296	662,922	18,022	919,720	-	2,255,960
	862,546	2,019,359	38,618	12,679,386	31,044	15,630,953
	(591,792)	(759,530)	(21,403)	(934,870)	(14,371)	(2,321,966)
	926,050	1,922,751	35,237	12,664,236	16,673	15,564,947
	1,415,664	524,744	482,391	1,758,551	140,221	4,321,571
	2,341,714	2,447,495	517,628	14,422,787	156,894	19,886,518
	$ (286,299)	$ 1,627,643	$ (69,378)	$ 2,771,418	$26,437	$ 4,069,821
	NM	39.9%	NM	16.1%	14.4%	17.0%

Years Ended	September 30, 2013			
	BAFB Base Supply	BAFB Base Equipment	Fort Polk SSSC	Total
Sales	$ 1,504,261	$ 3,240,718	$ 1,012,663	$ 5,757,642
Cost of Sales:				
Beginning inventory	248,153	351,404	409,018	1,008,575
Add: Purchase/transfer from other departments	1,254,280	2,718,637	755,293	4,728,210
Less: Ending inventory	(262,187)	(387,670)	(319,385)	(969,242)
Raw materials consumed	1,240,246	2,682,371	844,926	4,767,543
Other costs	59,242	78,408	71,016	208,666
Cost of sales	1,299,488	2,760,779	915,942	4,976,209
Gross profit	$ 204,773	$ 479,939	$ 96,721	$ 781,433
Gross profit as a percent of sales	13.6%	14.8%	9.6%	13.6%

NM - Not Meaningful

Schedules of Sales and Cost of Sales - Base Service Centers

	September 30, 2012			
	BAFB Base Supply	**BAFB Base Equipment**	**Fort Polk SSSC**	**Total**
	$ 1,564,784	$ 3,029,374	$2,153,807	$ 6,747,965
	282,426	306,093	545,073	1,133,592
	1,277,316	2,507,588	1,642,666	5,427,570
	(248,153)	(351,404)	(409,018)	(1,008,575)
	1,311,589	2,462,277	1,778,721	5,552,587
	65,083	73,555	69,939	208,577
	1,376,672	2,535,832	1,848,660	5,761,164
	$ 188,112	$ 493,542	$ 305,147	$ 986,801
	12.0%	16.3%	14.2%	14.6%

Year Ended September 30, 2013

Description of State Contract	Appropriation	Revenue Recognized	Expenditures
2013 Appropriation	$500,000	$500,000	$500,000

JM

CERTIFIED PUBLIC ACCOUNTANTS

James K. McClelland, CPA LLC

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*

The Board of Directors
Louisiana Association for the Blind
Shreveport, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial ausits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Louisiana Association for the Blind (the "Association"), as of and for the year ended September 30, 2013, and the related summary of accounting policies and notes to financial statements and have issued my report thereon dated January 14, 2014.

Compliance

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, I do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected on a timely basis. A *significant deficiency* is a deficieny, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Item 2013-01, that I consider to be a significant deficiency.

Purpose of Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fair's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fair's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Jane D McClelland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
January 14, 2014

Year Ended September 30, 2013

1. The independent auditor's report expressed an unqualified opinion on the financial statements of the Louisiana Association for the Blind.

2. No instances of noncompliance were reported in the independent auditor's report on compliance.

3. One significant deficiency in internal accounting control was reported in the independent auditor's report on internal control.

4. A separate management letter was issued.

2013-01 - Management should ensure shipments are billed promptly

Condition

During the audit, it was noted that several invoices were issued out of date sequence. The total effect to sales was immaterial, but due to the effect on increase in net assets, an adjustment was required.

Reason for condition

Typically, shipping documentation is forwarded to the billing department once the shipment is made. In this case, the majority of invoices were shipped on the last day of the fiscal year and were not billed by the end of the day on September 30. The billing clerk was in training and the importance of proper cutoff had not been stressed to him. Thus, the invoices were prepared the following day were issued with a date of October 1. In one instance, a shipment was made in the middle of September, but was not billed until late in October. The shipment was also not recorded on the shipping log on the date of the shipment.

Recommendation

Management should review shipping and billing practices to ensure that all product shipments are billed immediately after shipment. A periodic review of billings to ensure that all invoices are issued numerically and in date order will assist in minimizing issues of this type in the future.

Management's Response

We agree with the recommendation and, as previously noted believe this to primarily be a training issue and steps have been taken to ensure training includes an emphasis on proper cutoff procedures.

Year Ended September 30, 2012

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Findings	Corrective Action Taken	Corrective Action/Partial Corrective Action Taken

None noted.

JMi
CERTIFIED PUBLIC ACCOUNTANTS
James K. McClelland CPA LLC

January 21, 2014

Board of Directors
Louisiana Association for the Blind, Inc.
1750 Claiborne Avenue
Shreveport, Louisiana

Ladies and Gentlemen:

During the course of my audit of the Association's financial statements for the year ended September 30, 2013, I observed the Association's significant accounting policies and procedures and certain business, financial, tax, and administrative practices. As a result of my observations, I suggest you consider the following:

Administrative 2013-01
The Association should establish year-end inventory procedures that will ensure accurate counts.

The physical inventory count at year end was, for the most part, accurate and our test counts agreed with the counts obtained by Association personnel except at the Barksdale Base Store. In the case of the Barksdale Store, we were required to request a recount due to the number of errors we found during the initial physical inventory. I understand that this was an unusual year for the Barksdale Store in that it had been through a hasty move from a larger space to a smaller space. Thus store inventory was not as neatly arranged as it has been in past years. This most likely was a contributing factor to the errors that we found.

Although, the review procedures in place as part of the physical count would, I believe, have highlighted and corrected any material errors, I suggest management reiterate to all inventory count personnel the critical nature of obtaining complete and accurate counts.

Management's Response - We agree with your findings and wish to point out that this count was performed at a time when the Barksdale Store had little time to recover from its move to the new location. We believe this was the primary contributing factor to erroneous counts. We have and will continue to stress the importance of accurate counts in all physical inventory procedures.

Administrative 2013-02
The Association should review Base Store inventory listings to ensure accurate valuations.

In the course of my inventory cost testing, I noted several instances where the per unit cost of an inventory item was wrong due to the difference in the definition of an item. For example, item A/0772685G, Jumbo Nonskid Paper Cups were counted on a per box basis, but the cost in the inventory system was based on a unit of 10 boxes. As a result, each box was valued at $5.28 per box rather than 52.8 cents per box, which overstated inventory by $5,331.74. I suggest that the managers at the base stores review the inventory valuation report for amounts that appear out of line with their expectations.

Management's Response – We agree with your findings and will implement a review process to identify any unusual inventory pricing concerns.

In planning and performing my audit of the financial statements of Louisiana Association for the Blind in accordance with auditing standards generally accepted in the United States of America, I considered the Association's control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, I do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the schedule of findings and questioned costs included with the Association's financial statements that I consider to be a significant deficiency.

****

I have discussed the preceding recommendations with Mr. Gerald Griffin and anticipate that these issues will be resolved appropriately by Mr. Griffin and the Board of Directors. However, I am also available to any and all board members should they wish to discuss these issues further.

This communication is intended solely for the information and use of management, the board of directors, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

* * *

As usual, I appreciate the outstanding cooperation from your staff that my personnel received during the audit of the Association's financial statements.

Very truly yours,

James K. McClelland, CPA

cc: Legislative Auditor of the State of Louisiana